

## Message Text

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TAGS: ELAB, JA

SUBJECT: JAPANESE WAGES IN 1975 - OMENS AND PORTENTS

1. SUMMARY. SPECULATION HAS ALREADY BEGUN ON SIZE OF NEXT SPRING'S WAGE INCREASES AND ON THE SEVERITY OF WORK DISRUPTIONS DURING THESE NEGOTIATIONS. UNIONS, WHICH ASSUME 23 PERCENT CPI RISE, PREDICT DEMANDS OF AT LEAST 30 PERCENT. WITH INFLATION CONTINUING EROSION OF REAL WAGE GAINS THIS YEAR, LABOR CAN BE EXPECTED TO PRESS ITS DEMANDS HARDER THAN USUAL. WITH PROFITS DOWN MANAGEMENT COULD WELL ADOPT FOR TOUGHER STANCE THAN THIS YEAR AND THUS PROVOKE SERIOUS LABOR UNREST. STRAWS IN WIND LEAD LABATT TO ESTIMATE THAT WAGES NEXT SPRING WILL RISE AT LEAST IN SAME PERCENTAGE AS CPI. THIS PROBABLY WILL OCCUR WITH NO MORE THAN THE USUAL AMOUNT OF LABOR UNREST. AND DEFINITELY INCREASES IN PRIVATE INDUSTRY WILL BE WON WITHOUT GOVERNMENT INTERVENTION. NO INCOMES POLICY YET. END SUMMARY.

2. BACKGROUND. WAGES IN PRIVATE INDUSTRY ROSE OVER 20 PERCENT IN 1973 AND OVER 30 PERCENT IN 1974. IN 1974, WITH ENERGY CRISIS  
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AND MATERIAL SHORTAGES CONTRIBUTING TO RISING COSTS, PROFITABILITY OF

JAPANESE FIRMS APPARENTLY HAD APPRECIABLY DECREASED AND OBSERVERS PREDICTED THE MOST SERIOUS LABOR-MANAGEMENT CONFRONTATION IN JAPANESE HISTORY. YET, AFTER GREAT RHETORIC AND POSTURING BUT ONLY MINOR WORK STOPPAGES, FIRST PRIVATE INDUSTRY THEN THE GOJ SETTLED FOR INCREASES AROUND 30 PERCENT.

3. WITH 1974 SPRING STRUGGLE ONLY SIX MONTHS GONE, JAPANESE ARE ALREADY LAYING THE GROUNDWORK FOR NEXT YEAR'S SPRING OFFENSIVE. AN AUTUMN OFFENSIVE HAS ALSO BEEN LAUNCHED BY SOHYO (REFTEL) BUT UNIONS, THE GOJ AND INDUSTRY EVEN NOW SEEM MORE CONCERNED WITH THE BIGGER AND MORE BASIC 1975 WAGE OFFENSIVE.

4. INDICATIONS OF UNION INTENTIONS.

A. SOHYO IS TALKING OF DEMANDING MONTHLY INCREASES AVERAGING 133 DOLLARS (AT YEN 300 TO ONE DOLLAR). DOMEI HAS STATED THAT BASED ON ITS ASSUMPTION OF 23.3 PERCENT INCREASE IN CONSUMERS' PRICE INDEX (CPI) BETWEEN SPRING 1974 AND SPRING 1975 ITS UNIONS WILL ALSO DEMAND 30 PERCENT, WHICH FOR THEM WOULD AVERAGE 117 DOLLARS PER MONTH. REPRESENTATIVE OF IMF-JAPAN COUNCIL, WHICH COORDINATES WAGE DEMANDS OF ITS AFFILIATES, EXPLAINED THAT IN STEEL INDUSTRY DEMAND EXPECTED TO AVERAGE 30 PERCENT (130 DOLLARS), OF TOTAL 23 PERCENT WOULD BE TO COMPENSATE WORKERS FOR INFLATION, 2 PERCENT FOR ANNUAL SENIORITY INCREASE AND 5 PERCENT TO INCREASE LABOR' SHARE IN JAPANESE GNP.

B. ONLY ONE UNION, KAIIN (SEAMEN) HAS ANNOUNCED, IF TENTATIVELY, ITS SPECIFIC DEMANDS. STUDY OF THEM IN RELATION TO DEMANDS AND SETTLEMENTS THIS YEAR MAY INDICATE A TREND. FOR COASTAL AND OCEANGOING SEAMEN RESPECTIVELY 1974 DEMANDS WERE 48.4 PERCENT AND 47.2. SETTLEMENTS WERE 38.3 PERCENT AND 37.3 PERCENT. FOR 1975 IT PROPOSES TO DEMAND 36 PERCENT AND 34 PERCENT. (THIS WOULD MEAN OCEANGOING SEAMEN AGED 35 WOULD GET 543 DOLLARS BASE PAY PER MONTH, UP 148 DOLLARS.) IN PERCENTAGE BUT NOT IN AMOUNT, 1975 DEMANDS ARE BELOW WHAT THE UNION WON THIS SPRING. WERE IT TO SETTLE FOR 80 PERCENT OF ORIGINAL DEMANDS, AS IT DID THIS YEAR, 1975 INCREASES WOULD BE 28 PERCENT AND 26 PERCENT.

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5. EMPLOYERS' ORGANIZATION (NIKKEIREN) HAS NOT YET ESTABLISHED ITS POSITION; BUT KOKO, PRESIDENT, FED. OF ECONOMIC ORGANIZATIONS (KEIDANREN), SPEAKING TO PRESS LAST WEEK CALLED FOR A 20 PERCENT CEILING ON WAGE INCREASES. (COMMENT: AN INDUSTRY REPRESENTATIVE MAKING SUCH STATEMENT SO EARLY ON WILL CERTAINLY BE INTERPRETED BY LABOR AS CONCEDEING 20 PERCENT NOT AS CEILING BUT AS FLOOR ON TOP OF WHICH UNIONS

CAN NEGOTIATE A SETTLEMENT.)

6. MINISTRY OF LABOR OFFICIALS AFTER PROTESTING IT TOO EARLY TO PREDICT SETTLEMENTS NEXT SPRING WENT ON TO DO JUST THAT:

A. EMPLOYERS WILL FIND IT HARDER THAN THIS YEAR TO MEET STEEP WAGE INCREASE DEMANDS. NONETHELESS, ALL BUT THOSE IN DIRE FINANCIAL STRAITS WILL FEEL LONG-TERM LABOR-MANAGEMENT CONSIDERATIONS REQUIE THEM AS MINIMUM TO MAINTAIN WORKERS' PURCHASING POWER BY COMPENSATING FOR CPI INCREASES. HOW MUCH MORE THEY GRANT, AND HOW LONG AND DISRUPTIVE THE BARGAINING PERIOD WILL BE, SAY MOL OFFICIALS, DEPENDS UPON WHETHER EMPLOYERS SEE ANY SIGN THAT GOJ WILL EASE ITS TIGHT MONEY POLICY. IF SO, WAGE SETTLEMENTS OF AROUND 25 PERCENT CAN BE EXPECTED WITHOUT UNDULY DISTURBING STRIKES. IF NOT THE CONFRONTATION COULD BE MORE SERIOUS.

B. GOJ DOES NOT INTEND TO INSERT ITSELF INTO 1975 BARGAINING PROCEDURES, ACCORDING TO MOL ANALYSTS. PLEAS FOR MODERATION THERE WILL BE, BUT NO INCOMES POLICY. IN RECENT INTERVIEW PRIME MINISTER CONCEDED THAT ADOPTION OF SUCH A POLICY WAS IMPOSSIBLE WITHOUT A POPULAR CONSENSUS WHICH HE DOES NOT HAVE. (BOTH UNIONS AND NIKKEIREN STRONGLY OPPOSE IT.) IN REPLY TO A SOHYO QUESTION MOL WENT ON WRITTEN RECORD THAT GOJ SUPPORTS CONCEPT THAT WAGE LEVELS BE DETERMINED ENTIRELY BY LABOR AND MANAGEMENT.

7. COMMENT. WHILE MOL SEEMS TO THINK THAT JAPANESE INDUSTRY CAN AFFORD ONE MORE YEAR OF STEEPLY RISING LABOR COSTS, REACTION OF BUSINESS COMMUNITY COULD WELL BE MUCH TOUCHER THAN THIS SPRING, PARTICULARLY IF PROFITS DO NOT INCREASE IN COMING MONTHS. RESULT COULD BE FAR MORE SERIOUS LIMITED OFFICIAL USE

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LABOR-MANAGEMENT STRIFE THAN IN PAST. ONCE BARGAINING PROCESS COMPLETED, LABATT, ASSUMING INFLATION CONTINUES AT PRESENT PACE (AND EVEN MODERATE SHOWDOWN WOULD NOT HAVE MUCH EFFECT ON ANNUAL RATE AS OF MARCH 1975 WHEN ACTUAL BARGAINING WILL BEGIN), VENTURES TO GUESS THAT WAGE INCREASE SETTLEMENTS OF 22 PERCENT TO 25 PERCENT ARE POSSIBLE. HODGSON

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